

Message Text

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ACTION NEA-10

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 5742

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E. O. 11652: N/A

TAGS: EAGR, IN

SUBJ: PL 480 FOODGRAIN NEGOTIATIONS

1. MINISTRY OF FINANCE (BAIJAL) CALLED IN ECONOMIC COUNSELOR DECEMBER 17 TO REVIEW CURRENT STATUS OF WASHINGTON PL 480 TALKS. BAIJAL STRESSED THAT WHILE HE WAS PERSONALLY RESPONSIBLE FOR SENDING NEGOTIATING INSTRUCTIONS TO INDIAN EMBASSY IN WASHINGTON HE DID NOT WISH TO OPEN NEW NEGOTIATIONS IN DELHI. PURPOSE OF CALLING IN ECONOMIC COUNSELOR WAS TO MAKE SURE THAT USG FULLY APPRECIATED GOI POSITION AND DID NOT THINK INDIAN EMBASSY WAS BEING UNDULY DIFFICULT.

2. BAIJAL STATED THAT FUNDAMENTAL GOI POSITION WAS THAT NEW AGREEMENT SHOULD NOT APPEAR MORE ONEROUS THAN PREVIOUS (1967) FUNDAMENTAL AGREEMENT. HE REALIZED THAT SOME CHANGES WERE REQUIRED DUE TO USG LEGISLATIVE REQUIREMENTS BUT WISHED TO HOLD THESE TO A MINIMUM. THIS WAS A FUNDAMENTAL POLITICAL (THOUGH OPTICAL) NEED IN ORDER TO SATISFY SOME (UNIDENTIFIED) CRITICS INSIDE CONGRESS PARTY.

3. BAIJAL GAVE AS EXAMPLES THE SALES PROCEEDS PROVISION WHICH HE CLAIMS WAS OMITTED IN 1967 AND COVERED BY A SIDE LETTER. SIMILARLY, DIFFICULTIES HAD ARISEN WITH RESPECT TO THE "FAIR SHARE" AND LOCAL CURRENCY PROVISIONS. GOI

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ALSO OBJECTED TO US LANGUAGE IN CERTAIN PROVISIONS - E.G.,

REPORTS TO BE SUBMITTED "IN SUCH FORMS AS USG WANTS" AND PROVISION FOR AGREEMENT TERMINATION IF SELF HELP MEASURES INADEQUATE.

4. BAIJAL CLAIMED THAT ALL DIFFERENCES WERE OPTICAL AND THAT THE PROBLEM WAS TO RESOLVE DOMESTIC INDIAN POLITICAL NEEDS WITH USG BUREAUCRATIC REQUIREMENTS. HE ASKED THAT ECONOMIC COUNSELOR INFORM WASHINGTON THAT GOI FELT SERIOUSLY ABOUT THESE MATTERS AND HOPED THAT FLEXIBILITY ON FORM, IF NOT SUBSTANCE, COULD BE SHOWN, CLZM LN# USE OF SIDE LETTERS.

5. ECONOMIC COUNSELOR AGREED TO PASS ON GOI VIEWS. WITHOUT GETTING INTO SPECIFICS, HE NOTED USG PROPOSAL TO GOI WAS IDENTICAL TO USG PROPOSAL TO NEIGHBORING COUNTRIES AND COULD BE DEFENDED AS SUCH. BAIJAL ACKNOWLEDGED THIS BUT SAID IT DID NOT MEET GOI POLITICAL NEEDS SO LONG AS AMOUNT WAS AS SMALL AS 300,000 TONS.

6. BAIJAL MENTIONED WORDING OF AGREEMENT SHOULD NOT TECHNICALLY PRECLUDE REPAYMENT OF SOVIET GRAIN LOAN IN KIND SINCE THIS WAS A "PRIOR COMMITMENT". IN FACT INDIA WOULD ALMOST CERTAINLY NOT EXPORT INDIAN WHEAT TO THE SOVIET UNION AND WAS EVEN UNLIKELY TO UTILIZE COMMERCIALY PURCHASED WHEAT FROM THIRD COUNTRIES. MUCH MORE LIKELY WAS AN INDIAN PAYMENT IN CONVERTIBLE CURRENCY, PERHAPS NOT AT THE FULL VALUE OF THE LOAN.

7. WITH RESPECT TO PAYMENT IN RUPEES VS CONVERTIBLE CURRENCY BAIJAL SAID USG POSITION WAS UNCLEAR. AT ONE POINT IN USG DRAFT USG REFERRED TO USG USES OF LOCAL CURRENCY REPAYMENTS WHILE IN ANOTHER PART OF USG DRAFT IT WAS SPECIFICALLY STATED THAT THERE WOULD BE NO SUCH REPAYMENTS. MOYNIHAN

NOTE BY OC/T: PARA 4 (#) AS RECEIVED.

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